

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

The Peoples Gas Light and Coke Company	)	
And North Shore Gas Company	)	
	)	Docket No. 11-0280/11-0281 Cons.
Proposed general increase in natural gas rates	)	
(tariffs filed February 15, 2011)	)	

**INITIAL BRIEF OF  
INTEGRYS ENERGY SERVICES-NATURAL GAS, LLC**

Integrys Energy Services-Natural Gas, LLC (“Integrys Energy Services”), by and through its attorney, Gerard T. Fox, pursuant to 83 Illinois Admin. Code Section 200.800, hereby submits its Initial Brief in this proceeding.

**I. INTRODUCTION**

Integrys Energy Services has a certificate to operate as an Alternative Retail Gas Supplier in Illinois, including the service territories of The Peoples Gas Light and Coke Company and North Shore Gas Company (“Respondents”). Integrys Energy Services has a single interest in this proceeding—Respondents’ storage proposals for large volume transportation (“LVT”) customers. For the reasons demonstrated in the testimony of Commission Staff witness David Sackett, Illinois Industrial Energy Consumers (“IIEC”)/Constellation NewEnergy-Gas Division, LLC (“Constellation”) witness Michael Gorman, and Constellation witness Jason Kawczynski, those proposals go beyond what the Illinois Commerce Commission (the “Commission”) directed in Respondents’ last rate order, radically restrict the rights of LVT customers, and would prevent LVT customers from attaining the benefits of storage from the storage capacity they purchase. Respondents have not demonstrated the need for the proposed restrictions in the LVT riders and they

should be rejected. The Commission should adopt the proposals of Mr. Sackett relating to LVT storage.

## XI. TRANSPORTATION ISSUES

### D. Large Volume Transportation Program

#### 2. Transportation Storage Issues

In the Commission's Order in Respondents' last rate case, the Commission required the Respondents to work with the Commission Staff and other interested stakeholders in a workshop process to develop reasonable proposals for unbundling storage service for LVT customers and to file any agreed upon proposals in Respondents' next rate case. (Order in Docket Nos. 09-0166 & 09-0167 (Cons.), dated January 21, 2010, p. 235) Respondents submitted the following proposals in this proceeding:

- 1) To offer a stand-alone storage banking service (Rider SBS) under which customers select the amount of storage capacity that they wish, from one day of storage to the maximum amount available;
- 2) To include monthly inventory targets (minimum and maximum) for all months with monthly cashouts to the extent a customer falls outside the ranges;
- 3) To include daily injection and withdrawal limits, with appropriate distinctions for Critical Days and Operational Flow Order ("OFO") Days, with daily cashouts to the extent a customer falls outside the ranges;
- 4) To facilitate customer's move to the unbundled service by including a daily tolerance around the daily ranges; and
- 5) To eliminate the no-notice standby service because such a service requires storage assets and those assets are fully allocated to the unbundled, standalone storage service.

(Direct Testimony of Mr. Thomas Connery; PGL Ex. 14.0, p. 18; NS Ex. 14.0, pp. 18-19)

Integrus Energy Services only supports the first and fifth proposals; the remaining proposals should be rejected for the reasons stated in the testimony of Mr. Sackett, Mr. Gorman, and Mr. Kawczynski. The first proposal should be accepted because it was Mr. Sackett's proposal in the

Respondents' last rate case and it was the only proposal agreed upon in the workshop process. (ICC Staff Ex. 9.0, p. 10) Mr. Sackett further testified that the second, third and fourth proposals were unacceptable and unnecessary for reasons explained at length in his direct testimony. (*Id.*, p. 11) Mr. Sackett's direct testimony demonstrated that Respondents failed to establish a need for their proposed restrictions to LVT storage (*Id.*, pp. 12-15); Respondents' proposals were not consistent with the Commission's guidelines (*Id.*, pp. 15-16); Respondent's proposed restrictions run counter to prior Commission Orders (*Id.*, pp. 16-20); and Respondents are proposing radical and unnecessary restrictions upon LVT customers. (*Id.*, pp. 20-28)

Mr. Sackett concluded by making the following recommendations to Respondents' LVT programs:

- 1) Approve Respondents' proposal to eliminate Rider SST and standby service under it;
- 2) Approve Respondents' proposed Rider SBS capacity and subscription process;
- 3) Reject Respondents' proposed Rider SBS daily storage parameters;
- 4) Reject Respondents' proposed Rider SBS monthly storage parameters;
- 5) Reject Respondents' proposed addition of Rider FST monthly storage parameters
- 6) Approve Respondents' proposed on-system storage cost recovery in Rider SSS including the SSC and the SBC; and
- 7) Approve Respondents' proposed off-system storage cost recovery mechanism including the new SGC.

(*Id.*, p. 32)

IIEC/Constellation witness Mr. Gorman had objections to Respondents' LVT storage proposals similar to those of Mr. Sackett. Mr. Gorman also pointed out that the proposed restrictions—month-end storage inventory targets and daily withdrawal and injection limits—were unnecessary and unreasonable. (IIEC/CNEG Joint Ex. 1.0, pp. 5-12, 14-17). He further testified that Respondents' proposed restrictions effectively eliminate the three primary benefits of storage: 1) peak day deliverability, 2) physical hedge, and 3) temporary parking space. (*Id.*, pp. 12-13)

Constellation witness Mr. Kawczynski had objections to Respondents' LVT storage proposals similar to those of Mr. Sackett and Mr. Gorman. Mr. Kawczynski testified that Respondents' LVT storage proposals went beyond what the Commission directed in their last rate order and run counter to prior Commission orders. (CNE-Gas Ex. 1.0, pp. 8-12) He further testified that the proposed restrictions—the proposed injection, withdrawal, and inventory balance requirements—were not necessary to unbundle storage from standby service, as directed by the Commission in Respondents' last rate order, and will unnecessarily increase costs to LVT customers. (*Id.*, pp. 15-22) In particular, Mr. Kawczynski sponsored CNE-Gas Exhibits 1.4 and 1.5 which demonstrated that, with the exception of a couple of months during the spring of 2010 for Peoples Gas, transportation customers, in the aggregate, have been within the bounds of the proposed monthly targets. However, individual transportation customers would be outside of those bounds and would incur additional costs, despite the fact that transportation customers, in the aggregate, were within the bounds. Thus, LVT customers would lose the benefit of the diversity among transportation customers. (*Id.*, pp. 20-21)

In rebuttal testimony, Mr. Connery attempted, unsuccessfully, to respond to the criticisms of the witnesses for the Commission Staff, IIEC/Constellation, and Constellation. (NS-PGL Ex. 30.) Those attempts were again rebutted in the rebuttal testimony of Mr. Sackett (ICC Staff Ex. 18.0, pp. 7-16), Mr. Gorman (IIEC/CNEG Joint Ex. 2.0), and Mr. Kawczynski (CNE-Gas Ex. 2.0). In particular, Mr. Sackett pointed out Mr. Connery's misinterpretation of CNE-Gas Exhibits 1.4 and 1.5. While Mr. Connery claims that those exhibits supported Respondents' proposed restrictions on LVT storage because they do not burden LVT customers as whole, Mr. Sackett testified that Mr. Connery misses the point—Mr. Connery does not appreciate that while Respondents' proposed restrictions may not burden transportation customers as a group, they do impose a significant burden on individual LVT customers. CNE-Gas Exhibits 1.4 and 1.5 demonstrate the diversity of transportation

customers and that such customers, as a group, are largely keeping their inventories well within the range proposed. Mr. Sackett concludes that, therefore, monthly storage inventory targets are completely unnecessary. (ICC Staff Ex. 18.0, pp. 8-11)

In his surrebuttal testimony, Mr. Connery proposed certain minor modifications to Respondents' LVT storage proposals in an attempt to acknowledge the Commission Staff's and Intervenor's concerns and recommendations relating to daily cashouts and month-end storage balance target ranges. (NS-PGL Ex. 46.0, pp. 2, 6-7, 10, 13) However, those proposals are too little and too late and do not begin to alleviate the problems caused by Respondents' proposed restrictions on LVT storage rights.

## XII. CONCLUSION

In conclusion, Integrys Energy Services recommends that the Commission reject Respondents' storage proposals for large-volume transportation customers. Instead, Integrys Energy Services supports the recommendations of the Commission Staff witness, Mr. Sackett.

Dated: September 22, 2011

Respectfully submitted,  
Integrys Energy Services-Natural Gas, LLC

By: /s/Gerard T. Fox  
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**NOTICE OF FILING**

Please take note that on September 22, 2011 I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Initial Brief of Integrys Energy Services-Natural Gas, LLC in this proceeding.

Dated: September 22, 2011

/s/Gerard T. Fox  
Gerard T. Fox

**CERTIFICATE OF SERVICE**

I, Gerard T. Fox, certify that I caused to be served copies of the foregoing Initial Brief of Integrys Energy Services-Natural Gas, LLC upon the parties on the service list maintained on the Illinois Commerce Commission's eDocket system for Ill. C. C.Dockets 11-0280/11-0281 Cons. via electronic delivery on September 22, 2011.

/s/ Gerard T. Fox  
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